

VZCZCXRO6474  
RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA  
RUEHLN RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG  
DE RUEHVI #2853/01 3311019  
ZNR UUUUU ZZH  
R 271019Z NOV 07  
FM AMEMBASSY VIENNA  
TO RUEHC/SECSTATE WASHDC 9070  
INFO RHEBAAA/DEPT OF ENERGY WASHDC  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 VIENNA 002853

SIPDIS

SIPDIS, SENSITIVE

E.O. 12958: N/A

TAGS: [ENRG](#) [ECON](#) [PGOV](#) [EPET](#) [AU](#)

SUBJECT: AUSTRIA'S BAUMGARTEN GAS HUB AND GAZPROM INTERESTS IN  
AUSTRIA

#### Summary

1. (SBU) OMV Gas executives recently confirmed to Emboffs that Gazprom will become a 50% operator in OMV's Central European Gas Hub (CEGH), which is actually a web-based trading platform in operation since 2005 offering commercial, logistical, and auctioneering services to gas traders. OMV maintained that OMV and Gazprom will provide these services to companies shipping gas through the physical Baumgarten gas hub, and that neither company will have access to proprietary commercial data. OMV hopes to increase Baumgarten's volume from current levels of 50 billion cubic meters (bcm) to 70-75 bcm by 2015, as the Nabucco pipeline and OMV's LNG regassification plant in Croatia come on line. Gazprom's involvement in the CEGH follows a pattern of Russian movement into Austrian downstream activities. OMV remains schizophrenic about Gazprom's interests in Austria: OMV has profited enormously from its long-term relationship with Gazprom; however, it remains leery of Russian intentions, particularly vis-à-vis Nabucco and the prospect of more intense competition with Gazprom on the Austrian and Central European markets. End Summary.

2. (SBU) Emboffs recently visited OMV's Baumgarten physical gas hub near the Slovak border, and OMV's Central European Gas Hub (CEGH), a gas trading platform and monitoring center located in Vienna. Post requested the tours and subsequent meeting with OMV Gas executives in an effort to obtain more precise information about Russian interests in the hubs. Austrian and international press have reported that Gazprom, in a follow-up to President Putin's May visit to Vienna, had assumed a substantial stake in the physical hub's operations.

#### Baumgarten: One-Third of Russia's Gas to Europe

3. (U) The Baumgarten natural gas station has been in operation since 1968. Approximately 50 billion cubic meters (bcm) of natural gas, mainly from Russia, flows through Baumgarten annually. This represents 10% of Europe's gas consumption and one-third of Russian gas exports to Europe. From Baumgarten, there are three main pipelines through which the gas is further distributed to Hungary, to Italy/Slovenia/Croatia, and to Germany/France. Reinhard Mitschek, Managing Director of Nabucco Gas Pipeline International, told us that by 2012-2015, Baumgarten could become the largest European gas hub with some 70-75 bcm annually. In 2012, the initial stage of Nabucco, as well as the planned opening of an LNG regassification plant in Croatia will increase volumes.

#### Gazprom Participation in Gas Trading Platform

4. (SBU) Gottfried Steiner, Head of OMV Gas' International Affairs Division, stressed that the CEGH has been operating since 2005 as a

100% subsidiary of OMV. During Russian President Putin's May 2007 visit, OMV and Gazprom signed an MOU, under which the Russian company would acquire a 50% stake in the CEGH.

15. (SBU) OMV's strategy, according to Mitschek, is to profit from continuing liberalization of Europe's gas sector and Austria's proximity to Central and Eastern European markets to build up the CEGH into continental Europe's largest gas trading center. The CEGH could then better compete with Europe's other major gas trading platforms in Zeebrugge, Netherlands, and in Emden on the Dutch-German border. Mitschek emphasized that OMV hopes to position itself for the inevitable trend towards a spot gas market.

16. (SBU) The CEGH platform offers commercial, logistical, and auctioneering services. At the CEGH, OMV and Gazprom are strictly service providers, not traders. According to OMV, the CEGH's internal controls do not allow OMV or Gazprom to access proprietary information about companies trading on the platform.

17. (U) The hub operates as a web-based electronic gas trading platform and market place for its customers, with natural gas traded and auctioned. Currently, 58 dealers are registered to use the CEGH platform, trading up to 1,500 bcm per month. Services include the physical transfer of gas from one node to another ("wheeling"), recording of gas transfers from the provider through the hub to the customer ("title tracking"), and gas auctions.

#### Gazprom's Reach into Austria

18. (SBU) Gazprom's interest in the CEGH platform complements the firm's apparent strategy to become a major stakeholder in the Austrian gas business on various levels:

VIENNA 00002853 002 OF 002

- In September 2006, Gazprom became the first foreign company to obtain permission to sell gas directly to Austrian state energy suppliers in three of Austria's nine states. In a March 2007 interview, Gazprom Vice President Alexander Medvedev stated that Gazprom intends to further extend its downstream business in Austria.

- As a deliverable for Putin's May 2007 visit, Gazprom concluded a joint venture with the Austrian energy company RAG and Germany's Wingas to develop a natural gas storage facility in Haidach near the German border. The facility will begin operations in 2008 with 2.4 billion bcm capacity, a quarter of Austria's yearly gas consumption. (Note: Various press reports have erroneously stated that the RAG/Gazprom joint venture was an agreement permitting the Russian company to gain control of Baumgarten's operations. End Note)

- Unconfirmed press reports indicate Gazprom's interest in buying shares in a planned 800 megawatt gas power station in the south of Austria (Mellach).

#### Comment

19. (SBU) OMV has had a long and mutually beneficial relationship with Gazprom since 1968. OMV undoubtedly believes it "understands" Gazprom and can "manage" the Russian company better from inside. Gazprom most likely views Austria as one of its more important inlets into the European market, given its historical relationship with OMV, Baumgarten's excellent connections to major European markets, and Baumgarten's increased volumes after Nabucco begins operations. Nevertheless, OMV remains schizophrenic about its relationship with Gazprom: while profiting from close commercial relations, OMV remains leery of Russian intentions to disrupt Nabucco and to become even more of a competitor on the Austrian and Central European markets.

KILNER#